

Is public housing now seen more as a consumption good or investment good? And with all that has been said about an 'asset bubble', should we be worrying about

an 'expectations trap' instead? Assistant Professor Eugene Tan and Associate Professor Sing Tien Foo give their take on what the changes augur.

HOUSING is not just what a typical Singaporean thinks of, it is also what he thinks with. Residential property, either public or private, is the single largest asset in the vast majority of Singaporeans' household portfolios. In turn, residential property also constitutes one of the largest financial assets in our economy. This means that what happens in the property market has an impact on financial, social and political behaviour, social stability and the larger economy. Indeed, given that 85 per cent of Singaporeans live in 900,000 Housing Board flats, public housing prices intimately affect the private-sector property market as well.

In announcing the latest suite of measures on Aug 30 to restrain the residential property market's runaway exuberance, National Development Minister Mah Bow Tan duly acknowledged: "If you ask me whether it has got anything to do with the elections, the answer is 'yes'. Everything has got to do with the elections."

The *raison d'être* of home ownership has evolved since the HDB's establishment in 1960. As the basis of a stakeholder society, home ownership helped forge a sense of rootedness and nationhood. Affordable public housing is now regarded as a social right, a non-negotiable in Singapore's social compact. Although universal home ownership remains a cornerstone of Singapore's public housing policy and the social compact, there is no denying that this principle has become diluted over the years.

It used to be that HDB flats were just roofs over heads. But since the mid-1980s, the Government and HDB flat owners have regarded the flats as possessing tangible pecuniary value that can be grown and monetised if need be. Various HDB upgrading programmes, awarded to precincts that strongly supported the ruling party at the ballot box, added to this wealth-seeking imperative. In the last two decades or so, HDB housing became regarded as tradable assets or investments. The

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Of dreams and bubbles: Right-sizing home ownership

property booms have further shifted the focus from ownership to a commoditisation of residential properties – a means by which quick profits can be churned.

Condominium living has become immortalised as one of the 5Cs (the others being cash, car, credit card and country club membership) and integral to the Singapore Dream. The deep fear of being priced out, of the dream property becoming rapidly unattainable, and the attempts to "speculatively invest" in property have contributed to the property booms and associated anxieties for both the housing haves and have-nots.

It seems that it is not enough to be a home owner. The desire to enhance and exploit the value of one's property has grown in tandem with Singapore's affluence. But it also means that the abiding self-interest in home equity – and increasing one's wealth through the value of one's home – is increasingly at odds with the fundamental of social equity, of what is fair and sustainable.

Concerned about the rising prices, better-off Singaporeans are ac-



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quiring additional properties to give their children a head start in life. This inter-generational transfer of wealth creates a strong potential

for increased social stratification and inter-generational inequalities to persist.

This undue focus on the home as a tradable asset has given rise to a spiral of ever-growing expectations. And with housing prices out of sync with the macro-economic fundamentals, housing has become a hot-button issue.

Prime Minister Lee Hsien Loong attempted to address this concern as part of the larger engagement over immigration, the overarching bugbear. Rising property prices and the sense of overcrowding in Singapore have been attributed to the rapid influx of new immigrants and foreign workers in the last decade. Mr Lee committed to ensuring an adequate supply of affordable HDB flats. The latest slew of measures to maintain a "stable and sustainable property market" seeks belatedly to recalibrate the expectations of Singaporeans by re-emphasising home ownership.

Affordable housing within the context of universal home ownership is necessary to sustain Singapore's social compact. But the obsession with unlocking home equity has resulted in an "expectations trap", and the real possibility of a "performance gap" on the part of the Government.

At a minimum, prospective home owners expect the state to provide for affordable and quality public housing. For existing home owners, the state is expected to enable healthy property value increases regularly. Yet the Govern-

ment will find it increasingly difficult to cope with the surge in expectations of such private benefits within a creeping culture of ostentatious materialism and affluent consumerism.

Furthermore, there could be another performance gap where public housing is concerned and exemplified by The Pinnacle@Duxton. Its central location, pseudo-iconic image and price upside potential would be hard to match. While it is an impressive milestone in our public housing, the reality is that it is one of its kind. Very few HDB projects will be like it in the foreseeable future. But would-be HDB flat owners already expect their future homes to be similar pinnacles of housing envy.

Sooner or later, the expectations bubble will deflate or, worse, burst. Economic prosperity is not pre-ordained, especially when Singapore's economy is so influenced by external economic forces. The coincidence of the performance gap and the expectations trap will generate centrifugal tensions, exacerbated by rising expectations being unrealised.

Notwithstanding the rise in absolute value in home equity across all residential properties, the relative wealth positions for most Singaporeans remain unchanged. In short, a Singaporean may feel richer because of the rise in property values. But that is a mere paper gain. This then produces a "treadmill effect" in which the marginal utility of increased wealth declines. Realising that paper gain throws up the real question of whether a similar property can be bought at the same price. Probably not, since property prices have risen significantly in the last decade. This only feeds into the cycle of anxiety.

To compound matters, many prospective home owners born after independence know only a prosperous Singapore. Their housing expectations are higher than those of their parents. What happens when their dream homes do not materialise?

Seen in that light, the latest measures to right-size the housing aspirations are not surprising. Clearly, housing is inherently political in Singapore. How the People's Action Party Government assures Singaporeans in their housing aspirations will also significantly affect the PAP Government's performance legitimacy.

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